

Disruptive Innovation 2.0

IT'S TIME FOR RETAILERS TO **START THINKING** BEYOND **TECHNOLOGY LABS**. > By **Gina Acosta**

The retail industry has been getting one stark message for years now: “Innovate or die.” And in fact, the age of digital disruption has left innovation laggards at risk of extinction. So it's no wonder that innovation is all anyone talks about at retail shows, and is an all-consuming topic in board rooms and the C-suite.

Some retailers are navigating the era of digital disruption with great success, but unfortunately many others are struggling. As these companies face seemingly insurmountable challenges, there's an obvious question that demands an answer.

Why have some retailers lagged on innovation?

The answer, of course, is complicated, but it begins with retailers not recognizing that innovation is a culture that must be fostered, and that walling off a select group of disruptors in a faraway technology hub is not a cure-all.

“Innovation is more a cultural issue than it is a behavioral one,” said Jill Dyche, Vice President of Best Practices at SAS. “Having a lab somewhere is not going to make you more innovative. Every board of directors wants their company to be innovative. Unfortunately for a lot of retailers, what that means is putting together a lab with couches and bean bag chairs and white boards. But in fact, there really does need to be a sanctioned set of innovation programs that are enculturated into the business.”

As retailers have grappled with the question of how to innovate, many have invested heavily in innovation labs. The notion of innovation labs proliferated over the last decade as retailer after retailer felt compelled to launch a technology division. Target opened the Target Technology Innovation Center in San Francisco; Staples had a Velocity Lab in Cambridge, Mass.; and Home Depot set up an Innovation Lab in Austin, Texas. Best Buy, Sears,

Nordstrom, Walgreens — all of these retailers have invested millions in innovation labs.

And to their credit, a few of these projects have been successful.

Years after launching its innovation lab, Lowe's seems to be at the forefront of tech in the industry. The home improvement giant is launching a virtual reality experience in one of its stores to give customers hands-on practice with a home improvement project. Lowe's says it may eventually create more VR tutorials and roll them out to more locations. The retailer has also created an augmented reality app that helps consumers navigate stores and has launched AI for customer assistance in-store.

But Lowe's didn't just open an innovation lab. It also fostered a culture of innovation within the company. It's a formula that other retailers seem to be struggling with.

Target broke ranks from the lab movement earlier this year when it opted to shut down its “Store of the Future” and “Goldfish” projects. The retailer has also looked for outside investors to take over its food innovation lab in Massachusetts. Target is likely in the process of re-focusing how it uses innovation to drive sales.

And that's exactly what competitor Walmart seems to be doing a good job of as of late.

With nearly half-a-trillion dollars in annual sales and 4,700 U.S. stores, Walmart, under the guidance of Jet.com founder Marc Lore, who now serves as President and CEO of Walmart E-Commerce U.S., has been buying online retailers, slashing shipping rates and rolling out new ways for in-store customers to do more of their shopping at Walmart.com and its other websites. When the retailer rolled out discounts last month for in-store pickup, Amazon's Jeff Bezos may have lost a lot of sleep. It's the kind of innovative thinking that's needed at more retailers — no innovation lab required.

A lot of retailers already have the technology and mindset to be innovative. But do they have the culture? And are they incorporating that culture into their business processes? The retailers that are being successful right now, not only are they leveraging an innovative culture, but they are also institutionalizing it into the business so that the mindset spreads throughout the company. For most retailers, this strategy will be the only way forward in the age of disruption. **RL**

